



THIRTY-SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

**From The Office Of State Auditor
Claire McCaskill**

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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2002

The following audit report presents our findings and recommendations for certain municipal divisions of the Thirty-Sixty Judicial Circuit. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved. The municipal divisions in which specific findings and recommendations were noted are listed below:

City of Poplar Bluff *pages 5-6*

City of Qulin *pages 6-8*

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YELLOW SHEET

THIRTY-SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge
and
Municipal Judges
Thirty-Sixth Judicial Circuit

We have audited certain operations of the municipal divisions of the Thirty-Sixth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the municipal divisions' two fiscal years ended 2001. The objectives of this audit were to:

1. Determine the internal controls established over the financial transactions of the various municipal divisions.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.
4. Follow up on action taken by the municipal divisions on findings in our prior audit report.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents, and interviewed various personnel of the municipal divisions.

As part of our audit, we assessed the controls of the various municipal divisions to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal divisions' management and was not subjected to the procedures applied in the audit of those divisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the municipal divisions of the Thirty-Sixth Judicial Circuit.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

October 4, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	City of Poplar Bluff Municipal Division
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- A. The duties of receiving, recording, and depositing fines collected by the municipal division are not adequately segregated. Currently, the three court administrators perform these duties. In addition to receiving, recording, and depositing fines, one court administrator also reconciles the court bank account. Although the city finance director reviews the bank reconciliations prepared by this individual, an independent review is not performed to ensure that receipts are properly recorded and deposited intact.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of receipt slips issued to amounts deposited.

- B. The police department employees collect bond monies; however, these employees are not bonded. Failure to properly bond all persons with access to assets exposes the municipal division and the city to the risk of loss.

WE RECOMMEND the city of Poplar Bluff Municipal Division:

- A. Segregate the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of receipt slips issued to amounts deposited.
- B. Request the city consider obtaining bond coverage for all persons handling municipal division monies.

AUDITEE'S RESPONSE

The Municipal Judge and the Court Administrator provided the following responses:

- A. We agree; because of limited court personnel, we are unable to physically segregate the receiving, recording and depositing. However, daily reconciliations are prepared jointly by at least two clerks at the time of deposit. Further, photocopies of original receipt records (one-write) are provided to the City Collector so that she can audit daily deposits independently of the court. We will apprise the city of this recommendation and discuss possible implementation.*
- B. Circumstances demand that police officers and office personnel collect bond monies, and the court agrees that such personnel should be bonded. However, management of police employees is beyond the function of the municipal division and therefore the court cannot mandate these bonds.*

It should be noted that all monies received by the police department for bonds are immediately receipted on a carbon bond form and deposited in a securely locked box that only the court can access. The court administrators reconcile monies received with the original bond forms on a daily basis, independent of the police department.

We will apprise the city of this recommendation and discuss possible implementation.

2. City of Qulin Municipal Division

- A. The municipal division allows defendants to pay fines and costs over a period of time; however, the Court Clerk does not maintain a control listing of cases with balances due. Additionally, it was noted that some tickets had not been paid nor had warrants been issued.

Adequate procedures and records are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division. This helps to maximize municipal division revenues and provides equitable treatment for those citizens who are paying fines and court costs when due. The municipal division should prepare an accounts receivable listing on a monthly basis and use the listing to ensure appropriate action is taken on all cases with balances due the court.

- B. Although a violation bureau (VB) has been established by city ordinance, a court order has not been issued to formally establish the VB.

Supreme Court Rule No. 37.49 requires a VB be established by court order, a VB clerk be designated, and a schedule be established indicating the amount of fines and costs to be imposed for each offense.

- C. The court does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 2000, requires the Court Clerk to prepare a monthly

listing of all cases heard in court, including fines and court costs collected, to be verified by the Clerk or Municipal Judge and filed with the City Clerk.

- D. Receipts are not kept in a secure location. Prior to deposit, cash is kept in an unlocked drawer and checks are kept in a box on the Court Clerk's desk. Additionally, receipt books are kept on the counter in the clerk's office.

To adequately safeguard receipts and reduce the risk of loss or theft, monies received and receipt books should be maintained in a secure location.

- E. The duties of receiving, recording, and depositing fines collected by the municipal division are not adequately segregated. Currently, the Court Clerk performs all of these duties.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited.

- F. The municipal division assesses court costs of \$20. Section 488.012.3, RSMo 2000, limits court costs to \$12 for municipal court costs and \$15 for municipal ordinance violations filed before an associate circuit judge.

Conditions similar to A, B, C, and E were also noted in our prior report.

WE RECOMMEND the city of Qulin Municipal Division:

- A. Maintain a control listing of amounts due the court and follow-up on delinquent amounts.
- B. Prepare a court order to authorize the establishment of a VB and to designate a VB clerk.
- C. Prepare monthly reports of cases heard in court and file these with the city in accordance with state law.
- D. Maintain monies received and receipt books in a secure location.
- E. Segregate the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of receipt slips issued to amounts deposited.
- F. Assess court costs in accordance with state law.

AUDITEE'S RESPONSE

The Court Clerk provided the following responses:

A&

C. Within 60 days, I will implement these recommendations.

The Associate Judge provided the following response:

B. The Associate Judge and the city of Qulin will review the organization of the court and decide whether to issue a violation bureau order or discontinue the violation bureau.

The Court Clerk provided the following response:

D. We will maintain monies received and receipt books in a desk drawer.

The Court Clerk and the Mayor provided the following responses:

E. When court monies are collected, the Mayor reconciles the monies received to the deposit slip and initials the deposit slip.

F. Within 60 days, we will meet with the city attorney and discuss this situation.

This report is intended for the information of the management of the various municipal divisions of the Thirty-Sixth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

THIRTY-SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the municipal divisions of the Thirty-Sixth Judicial Circuit on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the municipal divisions should consider implementing those recommendations.

1. City of Poplar Bluff Municipal Division

- A. The method of payment of fines, costs, and bonds indicated on the one-write ledger did not always agree to the actual receipts which were deposited.
- B. A control ledger accounting for the balance due from each defendant was available, however, payment agreement forms and court dockets were not periodically reconciled to the control ledger to ensure its accuracy.
- C. The balance of the bonds in the municipal division account exceeded the open items balance, resulting in an unidentified balance of \$2,005.
- D.1. Neither the police department nor the municipal division maintained adequate records to account for all traffic tickets assigned and issued, and their ultimate disposition.
- 2. Neither the municipal division nor the animal control division maintained adequate records to account for all animal control tickets issued and their ultimate disposition.
- E. The municipal division did not maintain a time sheet indicating the date, hours worked, and the work performed by defendants allowed to perform community service.

Recommendations:

The city of Poplar Bluff Municipal Division:

- A. Ensure the composition of monies received is recorded correctly in the one-write ledger and reconcile the composition of monies received to the composition of monies deposited.
- B. Periodically reconcile the payment agreement forms and the court dockets to the control ledger.

- C. Reconcile the monthly open items listing to monies held in trust. The municipal division should attempt to identify to whom the \$2,005 belongs, and disburse the funds appropriately. If this cannot be determined, the unidentified bond monies should be turned over to the state's Unclaimed Property Section in accordance with Section 447.595, RSMo 1994.
- D.1. Work with the police department to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all traffic tickets assigned and issued.
- 2. Work with the animal control division to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all animal control tickets assigned and issued.
- E. Require that supporting documentation be provided before community service credit is applied.

Status:

Implemented.

2. City of Qulin Municipal Division

- A.1. Receipts were not deposited intact. Court receipts were commingled with city receipts. Additionally, it was noted that the City Clerk/Court Clerk cashed personal checks from city receipts.
- 2. Prenumbered receipt slips were not issued for some city monies received and therefore the composition of monies received could not be reconciled to the composition of monies deposited into each bank account.
- 3. Checks and money orders were not restrictively endorsed until deposits were prepared.
- 4. The duties of receiving, recording and depositing fines collected by the municipal division were not adequately segregated.
- B. The Court Clerk did not maintain a control listing of cases with balances due.
- C. A court order had not been issued to formally establish the Traffic Violations Bureau (TVB).
- D. The court did not file a monthly report with the city of all cases heard in court.
- E. Crime Victims' Compensation (CVC) fees were not collected on cases paid at the TVB.

Recommendations:

The city of Qulin Municipal Division:

- A.1. Discontinue the practice of cashing personal checks and deposit all receipts intact.
- 2. Issue prenumbered receipt slips for all monies received and reconcile the composition of monies received to the composition of monies deposited.
- 3. Restrictively endorse all checks and money orders immediately upon receipt.
- 4. Adequately segregate the duties of receiving, recording, and depositing court monies. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. Maintain a control listing of amounts due the court and follow-up on delinquent amounts.
- C. Prepare a court order to authorize the establishment of a TVB and to designate a TVB clerk.
- D. Prepare monthly reports of cases heard in court and file these with the city in accordance with state law.
- E. Assess the CVC fee in accordance with state law.

Status

A.1,
A.3
& E. Implemented.

A.2 Partially implemented. All monies received by the court are deposited to the city's General Revenue account on a separate deposit ticket, and therefore, court receipts can be reconciled with court deposits. However, some city receipts are still not receipted. Although not repeated in the current MAR, our recommendation remains as stated above.

A.4,
B, C,
& D. Not implemented. See MAR finding number 2.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-SIXTH JUDICIAL CIRCUIT
MUNICIPAL DIVISIONS
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

Organization

The Thirty-Sixth Judicial Circuit is composed of Butler and Ripley counties. The Honorable W. Robert Cope serves as Presiding Judge. There are two municipal divisions within the Thirty-Sixth Judicial Circuit.

The municipal divisions are governed by Chapter 479, RSMo 2000 and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of each municipal division are paid by the respective municipality, the county, or the state of Missouri, as applicable.

Municipal Division Organization, Personnel, and Financial and Caseload Information

1. City of Poplar Bluff

Organization

The Court Administrator, assisted by two deputy court administrators, is responsible for recording court transactions, as well as handling collections and disbursements. The municipal division maintains two bank accounts. Fines, court costs, bonds, and other payments are deposited into one bank account. Fines and court costs are disbursed to the city weekly. Payments mandated by the court prior to this audit period are disbursed to the city's Crime Reduction Fund periodically. One dollar of every twelve collected for court costs is transferred to a separate court bank account maintained for the Judicial Education Fund up to the maximum jurisdictional limit. This account is used for judicial educational training of court personnel. Bonds remain in the court bank account pending their disposition. Municipal court is held once a week with an additional court on the second and fourth Tuesday. A VB has been established to receive payments of fines and court costs at times other than during court.

Personnel

Municipal Judge	Matthew D. Richardson
Court Administrator	Deana Teague
Deputy Court Administrator	Sherry Jenkins
Deputy Court Administrator	Brenda Hayes

Financial and Caseload Information

	<u>Year Ended September 30,</u>	
	<u>2001</u>	<u>2000</u>
Receipts	\$410,274	400,221
Number of cases filed	7,495	8,279

2. City of Qulin

Organization

The City Clerk serves as the Court Clerk and is responsible for recording transactions, as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury. Court is held once a month in Butler County. Although a VB has been established by city ordinance, a court order has not been issued to formally establish the VB. The VB receives payments of fines and court costs at times other than during court. The Associate Circuit Judge of Butler County hears city of Qulin Municipal Division cases as assigned to him; however, he has no responsibility for VB cases and has no involvement in the daily operations of the Court Clerk.

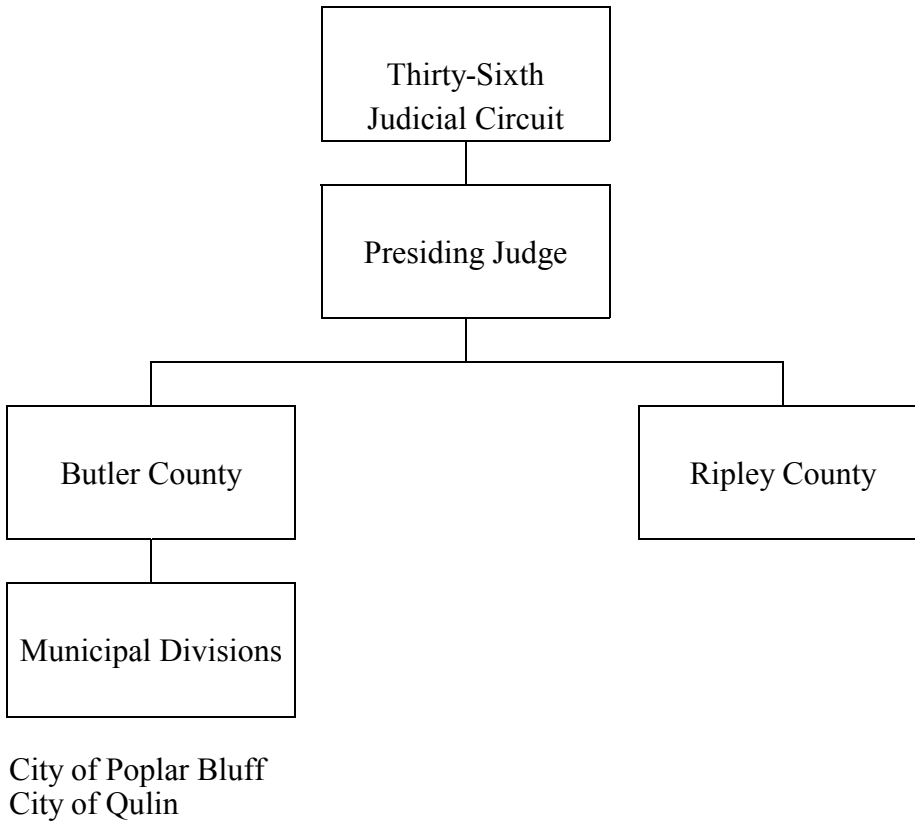
Personnel

Associate Circuit Judge	John Bloodworth
City Clerk/Court Clerk	Roberta Fain

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Receipts	\$613	1,515
Number of cases filed	6	11

THIRTY-SIXTH JUDICIAL CIRCUIT
ORGANIZATION CHART



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